



Federal Accounting Standards Advisory Board

May 5, 2006

TO: Members of FASAB
FROM: Richard Fontenrose, Assistant Director
THROUGH: Wendy Comes, Executive Director
SUBJECT: Social Insurance – Tab I

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The staff objective for the May is to review the latest draft of the social insurance exposure draft (ED). A "track changes" edition of the ED is at Tab I-1 and a "clean" edition is at I-2. The changes from the March draft ED are:

- Questions for respondents have been added. I have included some background for each question.
- A note to the reader has been added before ED paragraph 17 to explain in more detail the relationship between the information in paragraph 17 and the pro forma illustration. Paragraph 17 describes the content of the statement of social insurance (SOSI). Some members had asked for something that would emphasize the link between the paragraph 17 sub-paragraphs and the pro forma line items.
- In describing inflows in paragraph 17 and the pro forma illustration, the word "contribution" has been replaced with "payroll and income tax" and "premiums" to be clear about the distinction between Medicare Part A inflows, which are not subtracted from outflows when measuring the liability, and Medicare Part B/D inflows that are subtracted.
- The phrase "40 quarters of work in covered employment" (and/or "40 QC") has been replaced with the phrase "sufficient work in covered employment to be fully insured" to address the RRB's concern that, for RRB, there is no 40-QC event.
- The paragraphs in the basis for conclusion that explain sensitivity analysis have been reorganized and sentences have been added to improve the logical flow of the section and improve the explanation.

- A staff question (#25) has been added regarding whether the Board agrees with a net present value approach for measuring Medicare Part B/D. The question and discussion thereof is placed near paragraph 17.
- The word “proposed” has been deleted from the text of what would be the final standard, that is, from all but the introductory material and questions for respondents. This will give the ED the “look and feel” of a final standard so that respondents will be able to respond to a “final” version rather than something more tentative.
- Footnotes have been added that references a new exposure draft that would cover the display of gains and losses related to actuarial assumptions and other topics related to long-range estimates. See footnote 14 et al. Staff will provide an outline for this exposure draft in the second distribution of briefing material next week as “Tab I-4.” The social insurance exposure draft and the draft standard outlined at Tab I-4 will be totally coordinated.
- The pro forma statement of social insurance has been updated and amended to reflect paragraph 17. Using “track changes” there was cumbersome and therefore the changes, which primarily affect Medicare, are not tracked as they are in the text.
- The “fact sheets” on Social Security, Medicare, and the other social insurance programs were retained. Although this adds 21 pages of bulk to the ED and this information is readily available from the respective agency Web sites, respondents to the ED may find the fact sheets helpful. They can be deleted for the final standard.
- Other minor changes have been made that are identified in the “track changes” edition.

We have included at Tab I-3 a letter for your consideration from the Office of Management and Budget that raises substantive and procedural issues with respect to the social insurance exposure draft. The OMB comments include a suggestion for a new “presentation of financial responsibilities” and a recommendation that the SI project be postponed until the conceptual issues are more mature.

Staff anticipates that, absent major changes based on the May meeting, a pre-ballot draft will be circulated in early June with the objective of identifying remaining edits and balloting by the July meeting.